



SF 269 – Minimum Wage (LSB1437SV)

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Fiscal Note Version – New

Description

Senate File 269 increases the State minimum hourly wage to \$8.00 on July 1, 2015, and to \$8.75 on July 1, 2016. This Bill also increases the State minimum hourly wage for employees employed for less than 90 days to \$7.10 on July 1, 2015, and \$7.85 on July 1, 2016.

Background

The minimum wage, established by federal and State law, is currently set at \$7.25 an hour. The State of Iowa last raised the State minimum wage in 2007, reaching \$7.25 on January 1, 2008, and the federal minimum wage reached this level in 2009. As of January 1, 2015, 29 states and the District of Columbia (D.C.) have adopted state minimum wage levels that are higher than the [federal minimum wage](#).

Four states (Alaska, Arkansas, Nebraska, and South Dakota) approved minimum wage increases through ballot measures in the 2014 general election; Illinois voters approved an advisory measure.

Fifteen states and the District of Columbia have minimum wage requirements that are linked to a consumer price index, causing the minimum wage to be adjusted on an annual basis.

The U.S. Bureau of Labor Statistics estimates that in 2013, 921,000 workers in Iowa were paid an hourly rate, and 50,000 of these workers earned wages equal to or less than the prevailing federal minimum wage.

Minimum wage, at both the State and federal level, is referenced throughout Iowa Code. Iowa Code section [49.20](#) requires members of each precinct election board to be paid no less than the State minimum wage, unless the members offer to serve without pay. Iowa Code section [99F.7\(7\)](#) states that it is the intent of the General Assembly that employees of licensed casinos in the State pay at least 25.0% above the federal minimum wage. Iowa Code section [909.3A](#) provides that community service can be used to pay a fine assessed by the courts, and is calculated at the rate of either federal or State minimum wage, whichever is higher.

Assumptions

- This Bill only impacts those employees currently making less than the proposed minimum wage in effect during the time period. Employees making at or above the proposed minimum wage in effect during that time are assumed to remain at that rate.
- The number of hours worked will remain constant for each year.
- Only the statewide general elections are included for county precinct election officials.
- The federal minimum wage will not change.
- Federal Insurance Contribution Act (FICA) tax, for applicable employees, will not change.
- For impact to the Board of Regents, 20.0% will be chargeable to the General Fund. Other sources of revenue include federal work study, grant funds, and self-supporting funds.

Fiscal Impact

State Agencies

Table 1 presents the total estimated fiscal impact on State agencies compared to current law. Some additional State agencies that utilize a small number of part-time minimum wage workers or workers that are already near the proposed minimum wage rate will see increases in expenditures of approximately \$5,000 annually.

Table 1		
Estimated Impact to State Agencies		
	<u>FY 2016</u>	<u>FY 2017</u>
Board of Regents	\$ 573,000	\$3,520,000
Iowa Veterans Home	22,000	44,000
Glennwood Resource Center	47,000	94,000
Woodward Resource Center	16,000	32,000
Total	\$ 658,000	\$3,690,000

Table 2 displays the estimated General Fund fiscal impact compared to the current law.

Table 2		
Estimated Impact to the General Fund		
	<u>FY 2016</u>	<u>FY 2017</u>
Board of Regents	\$ 114,600	\$ 704,000
Iowa Veterans Home	22,000	44,000
Glennwood Resource Center	47,000	94,000
Woodward Resource Center	16,000	32,000
Total	\$ 199,600	\$ 874,000

Local Impact

Cities and counties are likely to see an impact in wages paid to employees. Data is not available to estimate the impact on cities. The impact on school districts, area education agencies, and community colleges is expected to be minimal. **Table 3** outlines the estimated impact counties will have for seasonal help and precinct election officials compared to current law.

Table 3		
Estimated Impact to Counties		
	<u>FY 2016</u>	<u>FY 2017</u>
Precinct Election Officials	\$ 0	\$ 59,000
Part-Time Seasonal Workers	124,000	248,000
Total Impact on Counties	\$ 124,000	\$ 307,000

Other Impacts

Information is not available to determine the possible reduced or shifted demand for aid and programs that support low-income individuals. The Department of Human Services reports that multiple impacts are possible including customers that may need to start paying copayments for child care assistance, in-home provider rates changing, or changes in benefits or loss of eligibility status in food assistance programs.

This fiscal impact does not include an adjustment for any impacts to State or local revenue, and any changes are anticipated to be minimal.

Pursuant to the [LSA's Fiscal Note Guide](#), Fiscal Notes do not include analysis related to secondary impacts such as economic multipliers, indirect or induced effects, impact on related business-assistance programs, or the probability adjustment for the actual impact of the revenue law change.

Sources

Board of Regents
Department of Administrative Services
Department of Human Services
Iowa Association of Counties
Iowa Veterans Home
Iowa Workforce Development
National Conference of State Legislatures
U.S. Department of Labor, Bureau of Labor Statistics

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
